



January 28, 2014

House Energy and Technology Committee
Lansing, Michigan

Re: HB 4885

Dear Representatives,

The Michigan Environmental Council supports the practice of using carbon dioxide for the purpose on enhanced oil recovery. Where infrastructure already is in place to recovery oil reserves, attempting to maximize the effort through enhanced oil recovery techniques is a good use of resources.

However, we are concerned with the lack of a definition for "secondary or enhanced production project" and leaving it to the Supervisor of Wells to determine when they exist. The bill states that secondary or enhanced production "means operations designed to increase the amount of oil or gas recoverable from the reservoir, as compared to ordinary operations" (page 4, line 6). This term is extremely vague and gives little guidance to the Supervisor of Wells regarding when to reduce the severance taxes paid to the state. Techniques are being developed every year that increase the recovery of oil and gas from different geological formations, making attempts to define "ordinary" difficult to make. This is especially true in the natural gas industry.

The law already includes a reduction in the taxes paid for stripper wells (less than 10 barrels of day of production), and marginal wells (less than 20-35 barrels a day depending on the depth of the formation). These provisions are objective and provide clear guidance to the department.

We are willing to explore methods to reduce subjectivity and provide greater guidance for the department. However, until such time, we are unable to support HB 4885 as currently drafted.

Sincerely,

A handwritten signature in black ink, appearing to be "James Clift", written over a large, stylized circular flourish.

James Clift, Policy Director
Michigan Environmental Council